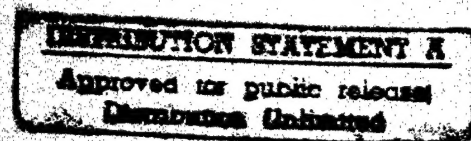




February 1997

CONTINGENCY OPERATIONS

Opportunities to Improve the Logistics Civil Augmentation Program



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National Security and
International Affairs Division

B-272659

February 11, 1997

The Honorable Strom Thurmond
Chairman, Committee on Armed Services
United States Senate

*Contingency Operations,
Opportunities to Improve
the Logistics Civil
Augmentation Program*

The Honorable Ted Stevens
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Floyd Spence
Chairman, Committee on National Security
House of Representatives

The Honorable C.W. Bill Young
Chairman
The Honorable John Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

In response to your requests, we reviewed the Army's Logistics Civil Augmentation Program (LOGCAP). Under this program, a civilian contractor provides logistics and engineering services to deployed forces. You had expressed concern about the increasing use of this program and reports of its escalating costs for the peacekeeping mission in Bosnia. As agreed with your offices, this report addresses (1) the extent to which the Army is using the program; (2) reasons for increases in the program's cost for the Bosnia peacekeeping mission; and (3) opportunities to improve program implementation from a doctrine, cost control, and contract oversight standpoint. As requested, it also addresses the potential for inefficiency by having similar support contract programs in the Navy and the Air Force. This report focuses on LOGCAP use during the peacekeeping mission in Bosnia but also includes information on LOGCAP use in Somalia, Rwanda, and Haiti. Details on our scope and methodology are included in appendix I.

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Background

The U.S. Army has traditionally employed civilian contractors in noncombat roles to augment military forces. For example, civilian

contractors were used extensively in the Korean and Vietnam Wars to augment logistical support provided to U.S. forces. LOGCAP was established by the Army in 1985 as a means to (1) preplan for the use of contractor support in contingencies or crises and (2) take advantage of existing civilian resources in the United States and overseas to augment active and reserve forces. Initially, the program concept was that each Army component of a unified command would individually plan and contract for its own logistics and engineering services. In 1992, the concept was changed to provide a single, centrally managed worldwide planning and services contract. Although it originated as an Army program, LOGCAP is available to the other services.

Program Management and Contract Requirements

Since 1992, the U.S. Army Corps of Engineers has been responsible for the program's management and contract administration. When LOGCAP is used in support of a mission, the operational commander becomes responsible for defining services to be provided by the contractor, integrating contractor personnel into the mission, and ensuring that funding is provided. The contractor is paid from the operational command's operations and maintenance appropriation account. On October 1, 1996, LOGCAP management transferred to the U.S. Army Materiel Command (AMC). However, the Corps of Engineers will remain responsible for LOGCAP management in Bosnia for the duration of that mission.

The original LOGCAP contractor, Brown and Root Services Corporation of Houston, Texas, was competitively awarded a cost-plus-award-fee¹ contract for 1 year with 4 option years on August 3, 1992. According to Army documents, a notice regarding the contract in the Commerce Business Daily elicited 37 requests for copies of the solicitation. Four companies competed for the contract.

The 1992 LOGCAP contract required the contractor to (1) develop a worldwide management plan and 13 regional plans, (2) participate in planning and exercises, and (3) be prepared to execute the plans upon notification. The worldwide management plan is a general description of the equipment, personnel, and supporting services required to support a force of up to 20,000 troops in 5 base camps for up to 180 days and up to 50,000 troops beyond 180 days. The regional plans use the worldwide management plan as a baseline to provide detailed logistics and

¹A cost-plus-award-fee contract allows the contractor to be reimbursed for all reasonable, allowable, and allocable costs incurred. Under the original contract, the contractor earns a base fee of 1 percent of the estimated contract cost. The contractor also earns an incentive fee of up to 9 percent of the cost estimate based on the contractor's performance in a number of areas, including cost control.

engineering support plans for a geographic region based on a specific planning scenario prescribed by the requiring commander.

Use in Bosnian Peacekeeping Mission

The Army decided to use the LOGCAP contract in December 1995 to augment its forces that are part of the Bosnian peacekeeping mission. The United States provides a major portion of the mission's implementing force as set forth in the Dayton Peace Accords and occupies key leadership positions responsible for the mission. The U.S. Army, Europe provides most of the U.S. force and is the major command responsible for the mission's logistics planning and funding. U.S. forces deployed in support of the implementation force were located in 4 countries and numbered approximately 22,200: about 16,200 in Bosnia, about 1,400 in Croatia, and about 4,600 in Hungary and Italy.² Several factors created unique challenges for the Army as it implemented LOGCAP during the Bosnian mission. These factors related to the uncertainty of the U.S. role, the need for rapid deployment once the role was defined, and the harsh weather environment. (See app. II for more detail on these matters.)

U.S. Army, Europe is using LOGCAP to provide a range of logistics and engineering services, including troop housing and facilities, food service, and laundry operations, as well as base camp and equipment maintenance, shuttle bus services within camps, and cargo handling services throughout the area of operations. The Army's December 1995 estimate of the cost to provide these services for 1 year, which was developed by the contractor based on the Army's tasking, was \$350.2 million.³ However, when the Department of Defense submitted its estimate of incremental costs for the Bosnia peacekeeping mission to Congress on February 23, 1996, it reduced the estimate to \$191.6 million. The estimate was reduced because officials in the Office of the Secretary of Defense believed there was duplication between the services the contractor would provide and the services military personnel would provide. However, Defense Department officials had no documentation supporting the \$191.6 million estimate. Thus, we used the Army's estimate of \$350.2 million as the basis for analyzing LOGCAP cost increases in Bosnia.

²Approximate number of troops deployed as of July 19, 1996.

³According to the contractor, this dollar amount was a rough order of magnitude made without benefit of detailed scope data. The Army used this dollar amount as its initial estimate and we have referred to it as such throughout this report.

Results in Brief

Over the last 4 years, the Army has relied on LOGCAP to help support various contingency operations and plans to maintain the capability as an option for providing support in the future. Since 1992, the Army has used LOGCAP to provide logistics and engineering support services to U.S. forces in six operations and on January 30, 1997, awarded a new contract that will keep the program available until 2002. As of December 7, 1996, estimated program costs were about \$674.2 million, with the vast majority, about \$461.5 million, going to the Bosnian mission. According to the Army, use of the contractor is the choice of last resort but necessary in these missions because of troop ceilings, unavailability of host nation support, and the need to keep military units available to respond to a major regional conflict.

LOGCAP cost estimates for the Bosnian mission have increased substantially. The Army's latest revised estimate of \$461.5 million⁴ exceeds its original estimate of \$350.2 million by \$111.3 million, or 32 percent. Our review shows that the difference in the estimates was largely driven by changes in operational requirements once the forces arrived in the Balkan peninsula. Specifically, the Commander in Chief of U.S. Army, Europe decided to substantially increase the number of base camps from 14 large camps to 34 smaller camps⁵ and to accelerate the schedule for upgrading troop housing. These changes were required because of a number of factors, including the U.S. geographic area of responsibility, limited infrastructure, and harsh weather conditions. Associated management and administrative cost increases and an unanticipated value added tax imposed on the contractor by the Hungarian government also added to the difference. Weaknesses in financial reporting and contract monitoring systems also contributed to cost increases.

Our analysis of LOGCAP implementation during the Bosnian peacekeeping mission shows that there are opportunities to make the program more efficient and effective. For example:

- Little doctrine on how to manage contractor resources and effectively integrate them with force structure units exists. In the Bosnian mission, U.S. Army, Europe officials had limited or no experience with LOGCAP and lacked guidance on how to prepare planning documents and what type of

⁴This estimate is as of December 7, 1996, and covers the period from December 14, 1995, to December 13, 1996. In December 1996, the President extended the mission an additional 6 months. Overall LOGCAP costs will increase based on the level of service required from the contractor.

⁵The number of camps and operating sites fluctuated throughout the mission. This is the number of camps and operating sites initially constructed by the contractor and military units.

management and oversight structure to establish. As a result, the officials had to develop ad hoc procedures and systems to ensure they were effectively managing LOGCAP.

- The financial reporting and contract monitoring systems during the early phases of the Bosnian mission were not sufficient to provide U.S. Army, Europe officials with information they needed to track the cost of the operation, report on how LOGCAP funds were spent, or monitor contractor performance. Without these systems, commanders could not determine whether the contractor was adequately controlling costs, if alternative support approaches were cost-effective, if changes in the level of service being provided were warranted, or whether work was performed in accordance with contract provisions.

AMC officials have worked with U.S. Army, Europe to identify problems experienced in Bosnia, and they are taking actions intended to improve program planning and management and reduce costs for future operations. These actions include developing doctrine and guidance, improving financial management and contract monitoring systems, and providing assistance to commanders when LOGCAP is implemented.

The Air Force and the Navy recently initiated programs similar to LOGCAP, which may result in unnecessary overhead costs and duplication. Although both the Air Force and the Navy have used LOGCAP for support services during previous peacekeeping missions, officials of these services believe contractor responsiveness and control can be enhanced by separate programs. The Navy awarded a contract for its program in August 1995 and to date has paid the contractor approximately \$32 million, primarily for emergency assistance to repair hurricane damage at Camp Lejeune, North Carolina. The Air Force expects to award its contract in February 1997 and the contractor could earn about \$4.4 million for planning and preparation over the 5-year life of the contract. Many of the services provided under all three programs are similar, and it may be more efficient and effective to have one service act as the single manager.

The Army Is Making Increasing Use of LOGCAP to Meet Support Requirements

As shown in table 1, since 1992, the Army has used a contractor instead of force structure to meet some of its combat support and combat service support⁶ needs in six major peacekeeping and humanitarian assistance missions. Although using LOGCAP is the choice of last resort, Army officials stated it is often necessary to use LOGCAP in these missions because of planning considerations such as the ability to respond to a major regional conflict, the political sensitivity of activating guard and reserve forces, the lack of host nation support agreements in undeveloped countries, and the desire to maintain a relatively low U.S. presence. The use of the contract by far has been the most extensive for the Bosnian mission and that mission provides a good illustration of how the factors come into play in deciding whether to use the contract.

⁶The Army divides support units into combat support and combat service support units. Combat support units operate directly with combat maneuver units in wartime, for example, field artillery, combat engineer, and signal units. Combat service support units provide services to combat and other units, for example, transportation and maintenance services.

Table 1: Major Operations in Which the Army Has Used Its LOGCAP Contract

Dollars in millions

Event	Starting date	Estimated cost	Services provided
Somalia "Operation Restore Hope"	Dec. 1992	\$62.0	Base camp construction and maintenance; food service and supply; laundry; field showers; latrines; water production, storage, and distribution; sewage/solid waste removal; bulk fuel receipt, storage, and issue; transportation for passengers and cargo; and linguist support.
Rwanda "Operation Support Hope"	Aug. 1994	6.3	Water production, storage, and distribution.
Haiti "Operation Uphold Democracy"	Sept. 1994	133.0	Base camp construction and maintenance; food service and supply; laundry; bulk fuel receipt, storage, and issue; airport and seaport operations; and transportation services.
Saudi Arabia/ Kuwait "Operation Vigilant Warrior"	Oct. 1994	5.1	Food service and supply; transportation; convoy support; shuttle bus service; laundry; and off loading and storing containers from ships.
Italy "Operation Deny Flight"	Sept. 1995	6.3	Base camp construction.
Bosnia "Operation Joint Endeavor"	Dec. 1995	461.5	Base camp construction and maintenance; showers; latrines; food service and supply; sewage/solid waste removal; water production, storage, and distribution; shuttle bus service; bulk fuel receipt, storage, and issue; heavy equipment transportation; mail delivery; construction material storage and distribution; railhead operations; and seaport operations.
Total		\$674.2	

Note: Estimated costs as of December 7, 1996.

Source: Department of the Army.

LOGCAP Is the Choice of Last Resort

The Army has established a decision-making process for determining when it will use LOGCAP. The following discussion describes the decision-making process and illustrates how it worked in the Bosnian mission.

Criteria for Using LOGCAP

The Army's LOGCAP regulation states that LOGCAP is one of several options available to commanders for meeting combat support and combat service support shortfalls in their operational plans. It is intended to be the option of last resort, and it was primarily designed to be used in areas where host nation support agreements do not exist. Other options to be considered by commanders before selecting LOGCAP include the other military services, allied support, and local contracting. In addition, commanders must

Factors Considered in Deciding to Use LOGCAP in Bosnia

consider other factors such as risk to personnel, lift availability, quality of life, and mission duration.

The key planning and resource considerations that led to the Army's decision to use LOGCAP were (1) troop ceilings for active and reserve forces, (2) engineering resources available in the Army force structure, (3) host nation support agreements, and (4) quality of life issues. According to U.S. Army, Europe officials responsible for planning the Bosnian mission, they initially identified a need for a force of 38,000 troops, including 20,000 combat troops. This number of combat troops was considered necessary because U.S. forces had to patrol a 1,200-mile zone between the formerly warring factions. Also, the Joint Chiefs of Staff told U.S. Army, Europe not to expect authorization for more than 25,000 troops: 20,000 in Bosnia and 5,000 in Croatia.

U.S. Army, Europe also had a ceiling on the reserve forces it could use. For Bosnia, the President authorized the call-up of 4,300 reservists for all the services,⁷ 3,888 of which the Defense Department allocated to the Army. The Army used its allocation to activate key support capabilities such as civil affairs and psychological operations units that existed primarily in the reserve forces and could not be contracted. Once these units were activated, most of the 3,888-reserve ceiling had been used, leaving little opportunity to call up other types of support units. Many of the Army's combat support and combat service support units were in the guard and reserve. An Army planner told us they could have asked the national command authority to increase the force ceiling and reserve call-up authority; however, because they had LOGCAP as an option, it was not necessary to seek these increases to meet support needs.

The Army also used some units from the other services. According to U.S. Army, Europe officials, the Army did not have enough engineering resources available for deployment to build all the required base camps in the time allotted and received assistance from Air Force and Navy engineering units. By managing the flow of forces into the theater to remain below the 25,000-force ceiling, they were able to use these units and Army engineer units to construct 15 of the base camps. When the initial construction was completed, these units left the area of operations and the remainder of the Army's force deployed.

⁷Under 10 U.S.C. 12304, the President is authorized to call up to 200,000 selected reservists for up to 270 days without a national emergency. On December 8, 1995, the President signed Executive Order 12982 authorizing activation of reserve forces. The Secretary of Defense set the ceiling for the callup at 4,300 reservists.

U.S. Army, Europe officials also told us that because the former Yugoslav Republic was not a part of the North Atlantic Treaty Organization, U.S. Army, Europe had no preexisting support agreements in the region. Therefore, little consideration was given to obtaining host nation support to meet the requirements in excess of force ceilings.

Army officials further stated that quality of life considerations and the fact that the Army lacked the capability to provide some services also favored the use of LOGCAP. For example, the Army's Deputy Commander for Support in Bosnia cited food and laundry services as areas where the contractor is able to provide a higher standard of service than Army units typically provide during deployments. LOGCAP also was able to provide services, such as sewage and solid waste disposal and janitorial services, that the Army routinely contracts for because the capability is not in the force structure.

Changes in Operational Requirements Largely Drove LOGCAP Cost Increases in Bosnia

The estimated costs for LOGCAP implementation in Bosnia have increased substantially. The Army's latest revised estimate of \$461.5 million exceeds its initial estimate of \$350.2 million by \$111.3 million, or 32 percent.⁸ Our review shows that the difference in the Army's estimates was largely driven by changes in operational requirements once the forces arrived in Bosnia. Specifically, the Commander in Chief of U.S. Army, Europe decided to increase the number of base camps from 14 large camps to 34 smaller ones and to accelerate the schedule for upgrading troop housing. Associated management and administrative costs and an unanticipated value added tax imposed on the contractor by the Hungarian government also contributed significantly to the difference.

Estimated Costs Have Increased by 32 Percent

Table 2 presents a comparison by seven broad functional areas of the estimated costs for LOGCAP in Bosnia as of December 1995 and December 1996. A direct comparison of the two estimates was not possible because of significant differences in (1) the scope of work covered by the estimates and (2) the way costs are reported. For example, in the December 1995 estimate, the contractor estimated the cost to establish and operate an intermediate staging base. This estimate included costs for building the camp; providing laundry, food, and bus service; and operating a construction supply storage yard, a retail fuel section, and an aviation fuel section. The estimate also included costs for mobilizing and

⁸We used the Army's initial estimate as the basis for our analysis because Office of the Secretary of Defense officials did not have supporting documentation for the \$191.6 million included in their estimate of incremental costs submitted to Congress.

demobilizing personnel, material, and equipment and recurring maintenance costs. However, later estimates use 52 separate work categories that do not directly link to the requirements in the original estimate. Consequently, we reviewed available cost data and discussed the differences with contractor and Army officials to determine the primary reasons for the increases in estimated costs. We did not attempt to determine whether the estimated costs were reasonable.

Table 2: Analysis of LOGCAP Cost Increases in Bosnia

Dollars in millions

Function	December 1995 estimate	December 1996 estimate	Difference
Troop housing and facilities	\$56.5	\$150.4	\$93.9
Management and administration	85.4	154.2	68.8
Transportation	9.8	48.4	38.6
Maintenance	0.2	11.0	10.8
Laundry	10.1	6.6	(3.5)
Food service	64.1	22.8	(41.3)
Base camp maintenance	124.1	65.2	(58.9)
New work since 3/30/96 ^a	0	2.9	2.9
Total	\$350.2	\$461.5	\$111.3

^aNew work represents estimated costs for services that were outside the original contract estimate but were required by U.S. Army, Europe.

Source: GAO analysis of U.S. Army, Europe data.

Troop Housing and Facilities

This function covers costs for preparing lodging, offices, and dining facilities for troops. The work consisted of repairing designated government acquired facilities, as well as new tent or modular unit construction. Basic facilities included billeting, shower/latrine, dining, office, and recreation areas. Estimated costs for troop housing and facilities rose from an original estimate of \$56.5 million to \$150.4 million. Our analysis of available data, discussions with Army and contractor officials, and observations of facilities indicated that costs increased largely because the scope of work performed by the contractor increased.

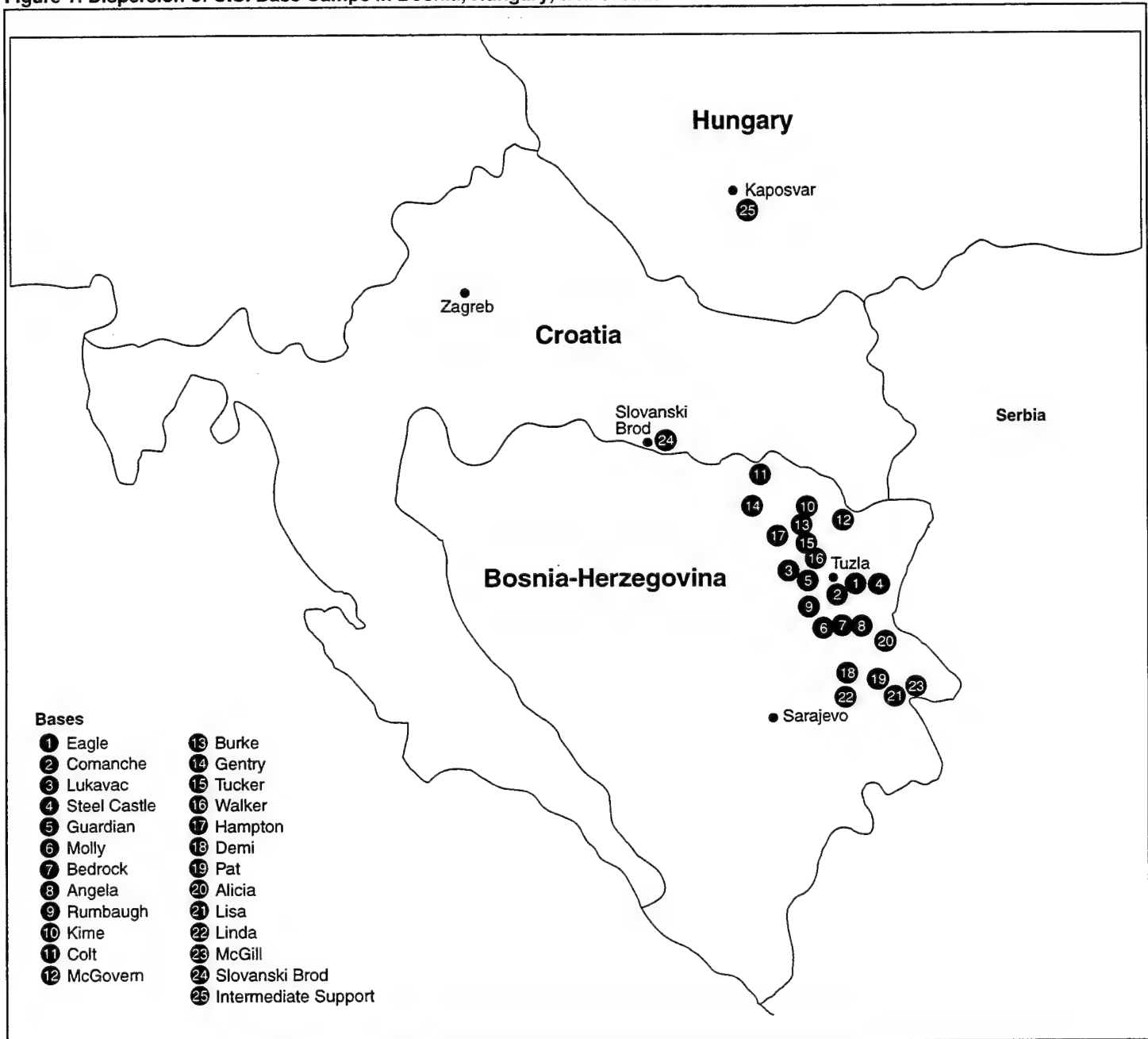
The number of camps and facilities increased from the 14 large base camps originally planned to 34 smaller camps. In the original plan, the contractor was to build six base camps, one in Hungary and five in Bosnia, and upgrade the eight remaining camps. However, given the change in

operational requirements, the contractor built 19 of the 34 camps and upgraded all 34 camps.

Our discussions with the Commander in Chief of U.S. Army, Europe and his staff revealed that the commander decided to increase the number of camps required because of several factors. Two factors were the size of the U.S. area of responsibility (the United States had to patrol a 1,200-mile zone of separation between the warring factions), and the condition of the soil and limited infrastructure (a very wet and mine-filled terrain and devastated power, water, and communication systems). Other factors were the (1) need to balance force presence in each former warring factor's sector, (2) condition of the roads leading to potential base camp sites (the construction of new and long roads to potential sites was considered too expensive and raw materials were not available in sufficient quantities at the time), and (3) challenge of relocating former U.N. forces from fixed facilities and into their new areas of operation.

A U.S. Army, Europe planner told us that conditions on the ground were not well known prior to deployment because U.S. personnel were not allowed into Bosnia until shortly before the operation started. The harsh weather conditions under which the construction took place and the increased requirement for equipment to provide services at the additional camps also increased cost. (See fig. 1 for U.S. base camps in the Balkan peninsula.)

Figure 1: Dispersion of U.S. Base Camps in Bosnia, Hungary, and Croatia



Note: The number of camps fluctuated throughout the mission. This map shows the number of camps as of June 9, 1996.

Source: Developed by GAO based on U.S. Army, Europe data.

Estimated troop housing costs also increased because some services were not considered in the original estimate. For example, the contractor's initial cost estimate assumed that some of the camp sites selected by the Army would need only minimal site preparation. At one site alone, however, approximately 200 railcars of crushed rock were needed to prepare the ground before construction could begin. Many other sites also required significant engineering preparation. (See fig. 2.) Additionally, the initial estimate did not include all costs for the contractor to upgrade camps built by military engineer units. The contractor upgraded 15 of these camps.

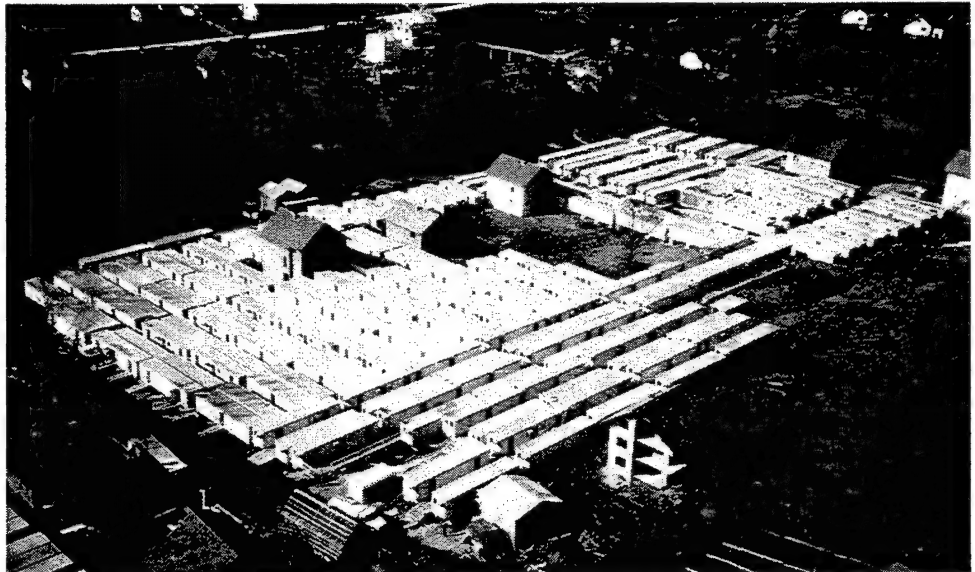
Figure 2: Many Camps Required Significant Engineering Preparation



The decision to accelerate the schedule for improving the camps also increased estimated costs. The Army's December 1995 cost estimate was based on a plan in which both the contractor and the military engineer units would initially erect tents and construct rudimentary support facilities. The camps would then be upgraded by the contractor in two follow-on efforts. (See fig. 3.) In the first effort, the contractor would add wooden floors to the tents; provide lighting, heating, latrines, showers, electric power, and water; and build kitchen and dining facilities. In the second effort, the contractor would provide for level tent pads and tent

frames with insulated walls and ceilings. However, a U.S. Army, Europe official told us that because of the harsh weather conditions, which included flooding and mud, the Commander in Chief decided to have the contractor go straight to the end-state standard for all camps and to increase the standard to modular housing units at several camps where conditions were particularly harsh. Because the contractor was not given additional time to meet the higher standards, significantly more equipment and material had to be commercially air transported into the area of operations. The contractor also had to hire additional workers and purchase and transport modular units.

Figure 3: U.S. Military Base Camp in Bosnia Upgraded to Modular Units



Management and Administration

The management and administration function provides for centralized project management, contract administration, project controls and reporting, procurement and subcontracting, financial management, personnel and payroll activities, property management, and life support for contractor personnel engaged in mission support. It also includes the contractor's overhead costs, general and administrative costs, and award fees. Costs for this function increased from \$85.4 million to \$154.2 million. This cost function increases as estimated contract costs increase. For example, a \$100-million increase in the estimated cost of services adds about \$14.7 million to cover overhead, general and administration costs,

and potential award fees. According to a U.S. Army, Europe official, the increase in the amount of services required and greater involvement by the contractor's home office in procuring and shipping material and equipment, also contributed to the increase.

This function also covers taxes, duties, and fees paid by the contractor. The contractor prepared the original estimate with the expectation that it would be included in any Status of Forces Agreements covering the mission. It was not included in the agreement with Hungary, however, and the U.S. government paid approximately \$18 million in value added tax to the Hungarian government that is included in this function.

Transportation

Transportation covers costs for providing (1) transportation services throughout the area of operations and (2) providing railhead and container handling services in Hungary, Croatia, and Bosnia. It also includes airfreight charges for equipment and material brought in from Europe and the United States. Estimated costs for this function increased from \$9.8 million to \$48.4 million. Our analysis and discussions with Army officials indicated that these estimated costs increased because the Army expanded the amount of contract service it wanted and airfreight charges were much higher than anticipated. In the original estimate, the contractor's cost to provide container handling services was included, but the estimate did not include costs for other transportation services. From January through March 1996, however, contractor trucks logged over 55,000 miles and moved over 9,800 tons of material and equipment. Estimated airfreight costs increased from \$5 million to \$25.1 million because winter conditions made it difficult to transport supplies and equipment by road, and accelerating the camp construction schedule required the contractor to fly in more supplies and equipment.

Maintenance

Maintenance covers the cost of providing mechanical service and maintenance for dedicated government equipment such as generators, refrigerators, and all contractor procured vehicles in the area of operation. According to the Army's schedule, these estimated costs increased from \$200 thousand to \$11 million. Part of the increase is due to differences in how equipment maintenance costs were reported in the two estimates. In the original estimate, maintenance costs were included as part of the estimate for an associated piece of equipment or vehicle. For example, the estimate for a generator reflected both the acquisition and maintenance

costs. In the later estimate, the estimated cost for maintenance of equipment and vehicles was reported separately.

Laundry

Laundry covers the cost associated with providing personal and medical laundry service and clothing repair to soldiers and Defense Department civilians on a daily basis. Estimated costs for this function decreased from \$10.1 million to \$6.6 million. Contractor officials told us the original estimate was based on a "worst case scenario" that did not develop.

Food Service

Food service covers costs for providing meals to the troops and Defense Department civilians. According to the original cost estimate, the contractor was to supply, prepare, serve, and distribute food. Estimated costs for this function decreased from an estimated \$64.1 million to \$22.8 million. U.S. Army, Europe officials told us they believed that the contractor's estimate for food supply and distribution services was too high and they contracted elsewhere for these services at a lower price. Additionally, the contractor operated fewer dining facilities because more Army cooks were used than originally planned, further reducing estimated contract costs for this service.

Base Camp Maintenance

Base camp maintenance covers costs for maintaining troop housing and facilities, latrine/shower units, kitchen and dining facilities, and utility systems at the 34 camps. It also includes road repair and maintenance, water production, storage and distribution, fire protection, and hazardous waste management. The original estimate included \$30 million for minefield clearing, as well as costs for the other services. Estimated costs for this function decreased from \$124.1 million to \$65.2 million. Our analysis and discussions with Army and contractor officials indicated that costs for this function decreased largely because the Army did not use the contractor for minefield clearing, saving \$30 million. Also, part of the decrease was due to differences in how equipment maintenance costs were reported in the two estimates. A U.S. Army, Europe official attributes the remaining decrease in estimated costs to their efforts to reduce contractor services and to a lower requirement for some services, such as snow removal.

Opportunities to Improve the Program's Effectiveness

Our review of the Bosnian operation shows that there are opportunities to improve the program's effectiveness. Areas that need improvement include doctrine and guidance, cost reporting, and contract monitoring.

LOGCAP Doctrine and Guidance

At the start of the Bosnia mission, little written doctrine and guidance⁹ was available for planners on how to effectively use LOGCAP. The Army's Office of the Deputy Chief of Staff for Logistics had prepared a desk guide to provide background and direction in the use of LOGCAP, but the guide lacked detail, and several key U.S. Army, Europe planners were unaware of its existence. As a result, U.S. Army, Europe officials had to develop ad hoc procedures and systems to ensure they were effectively managing LOGCAP.

The desk guide discusses the decision-making process for LOGCAP and states the need to make the contractor part of the logistics support team and include it in staff meetings and other activities related to a mission. However, the guide provides little information on the type of management structure to establish, financial control and oversight requirements, and mission planning considerations. For example, even though a combat support or combat service support function may be replaced by LOGCAP, the Army still has a need for staff supervision of the function.

According to Army officials, doctrine and guidance on the use of LOGCAP are critical because using a contractor to support a deploying force represents a significant change from the experiences of most Army personnel. Typically, Army practice has been to make the force self-sustaining for the first 30 days in a contingency theater. In this environment, troops live under field conditions. Housing might consist of multiperson tents, toilets are primitive and shared, shower facilities are often nonexistent, and food is often a prepackaged ration. One official likened the employment of LOGCAP without doctrine and guidance to giving the Army a new weapon system without instructions on how to use it.

Directly related to the doctrine and guidance problem was the lack of LOGCAP training and experience among U.S. Army, Europe commanders and staff. Some of the key logistics planners for the Bosnian operation had

⁹Doctrine is the Army's statement of how it intends to conduct war and military operations other than war. It establishes a shared approach to operations and serves as a vehicle for organizational and physical change. It is also the basis for the curriculum in the Army school system. Guidance, including tactics, techniques, and procedures, flows from the doctrine.

little knowledge or experience with LOGCAP prior to the operation. Despite significant efforts to effectively manage LOGCAP, U.S. Army, Europe officials' inexperience and lack of understanding of the contract, the contractor's capabilities, and program management created problems during the deployment and resulted in unnecessary costs. Examples of management problems during the mission follow:

- The contractor and the contract administrators were sometimes not included as part of U.S. Army, Europe's planning and management team, even though they were responsible for critical parts of the mission. In the early days of the mission, U.S. Army, Europe officials believed the contractor was not responsive to their needs. Contractor officials and contract administrators said that once the mission began, significant operational changes were made and they had little input despite being responsible for executing the changes.
- U.S. Army, Europe did not initially have a LOGCAP focal point to review tasks, assess options for performing these tasks, establish priorities, and resolve contractor problems. The lack of a focal point sometimes resulted in conflicting directions and a feeling on the part of some U.S. Army, Europe officials that the contractor was not being responsive.
- Commanders were sometimes unaware of the cost ramifications of their decisions. For example, the decision to accelerate the camp construction schedule required the contractor to fly plywood from the United States into the area of operations because sufficient stores were not available in Europe, which increased costs. For example, the contractor reported that the cost of a 3/4-inch sheet of plywood, 4' x 8', purchased in the United States was \$14.06. Flying that sheet of plywood to the area of operations from the United States increased the cost to \$85.98 per sheet, and shipping by boat increases the cost to \$27.31 per sheet. According to a U.S. Army, Europe official, his commander "was shocked" to find the contractor was flying plywood from the United States.
- The contractor was not included in the Status of Forces Agreement with the Hungarian government. The result was the contractor paid about \$18 million in value added tax to the Hungarian government, which was subsequently billed to the U.S. government as a contract cost. The Army is working to recoup these taxes from the Hungarian government.

Given the absence of detailed program guidance, U.S. Army, Europe worked to resolve these problems and developed many ideas and ad hoc systems that the Army plans to incorporate into program doctrine and guidance that AMC is developing. For example, U.S. Army, Europe established Joint Acquisition Boards to prioritize work and determine the

best available resources for accomplishing the work. It also developed the concept of appointing base camp "mayors" to serve as focal points for the contractor and improved the cost data provided by the contractor. Our discussions with members of the acquisition review boards and camp mayors revealed that, once established, these systems were effective in setting criteria and priorities for using LOGCAP services. However, as discussed later in this report, the boards only reviewed about 5 percent of estimated LOGCAP costs for Bosnia.

LOGCAP Cost Reporting

The LOGCAP financial reporting systems were not sufficient to provide U.S. Army, Europe commanders with adequate information on how much money had been spent for LOGCAP and for what purpose. They were generally aware that changing operational requirements had increased LOGCAP costs beyond the contractor's original estimate, but they were surprised by the amount of the increase. As a result of inadequacies in the government-required and approved LOGCAP financial reporting systems, U.S. Army, Europe officials developed ad hoc systems to provide stewardship over the funds.

The contractor's estimate for each assigned task is intended to provide the basis for monitoring and reporting LOGCAP costs. Weekly cost reports submitted by the contractor identify what has been spent against the estimate for each assigned task and provide a means of tracking costs and assessing variances. However, given the change in operational requirements, U.S. Army, Europe did not receive a cost estimate for its revised operational requirements until May 1996, and the Corps of Engineers and the contractor did not agree on estimated costs until August 1996. Weekly cost status reports using the government-required and approved system were submitted by the contractor from the onset of the operation. However, a U.S. Army, Europe resource manager stated that these reports were not particularly useful because (1) the data were generally not current, (2) there was no baseline estimate with which to compare the data, and (3) the reports did not explain variances from prior reports.

As a result, through the early days of the mission, when the bulk of contract support money was spent, U.S. Army, Europe commanders could not determine the cost-effectiveness of alternative support approaches, nor could they determine if changes in the level of service being provided were warranted. They also had difficulty responding to Defense Department and congressional inquiries about cost. A similar problem was

experienced in Somalia, where a senior official expressed his concern about the command's inability to verify expenditures and tie those expenditures to specific tasks.

U.S. Army, Europe officials were concerned about the rising estimates for LOGCAP and in late March 1996, they took several steps to reduce estimated cost and limit future growth. One action was to dispatch a team to Hungary, Croatia, and Bosnia to review all LOGCAP work orders to determine if (1) the requirement was still valid and (2) contracting was the most economical means of meeting the requirement or if the work could be done more economically by alternate means such as military manpower, alternate contractors, or adjusting the level of service. To limit growth in the cost estimate, the U.S. Army, Europe Chief of Staff restricted approval authority for new work estimated to cost over \$5,000.

According to a U.S. Army, Europe resource manager, efforts to improve financial reporting began in December 1995, and by the end of March the data were sufficient to meet the command's reporting and analysis needs. The improved financial data reporting format developed by U.S. Army, Europe, with assistance from the contractor, has been shared with AMC personnel who indicate they will improve the financial reporting requirements.

Contract Monitoring

Reviews by several agencies criticized the Army's administration and monitoring of LOGCAP contract activities in Bosnia, noting, among other things, that the Army did not negotiate the estimated costs in a timely manner and implement a systematic method to ensure that performed work was in accordance with contract provisions. As a result, they were unable to ensure that the contractor adequately controlled costs and furnished the appropriate level of support. Similar criticisms were raised regarding LOGCAP implementation in Somalia and Haiti.

The Army Corps of Engineers was responsible for LOGCAP contract administration in Bosnia. One responsibility was to develop the policies and procedures to guide the execution of LOGCAP contract activities, including property administration, contractor compliance with contractual quality assurance and safety requirements, and reviews and analyses of contractor cost proposals. Specifically, the Corps turned LOGCAP work on and off, performed quality control studies on the contractor's services, and provided liaison support to Army field commanders. During the construction phase in Bosnia, these tasks were performed by a team from

the Corps' Transatlantic Program Center in Winchester, Virginia. During the sustainment phase, which was from about March 1996 to November 1996, the Corps delegated contract administration to the Defense Contract Management District, International, who deployed a team of 30 personnel, along with a 2-person team from the Defense Contract Audit Agency, to monitor contractor performance.

According to the Army Audit Agency,¹⁰ timely actions were not initiated to negotiate the estimated project costs with the contractor and modify the logistical support contract. As a result, contract provisions that give the contractor major incentives to contain project costs were not effective. Moreover, delays in negotiating estimated costs greatly hindered the Army's ability to evaluate the amount of award fee that the contractor had earned based on quality of performance. The Army Audit Agency explained that the Federal Acquisition Regulation prohibits contract provisions whereby a contractor's profits are based on the percentage of costs incurred (or costs plus a percentage of costs). For this reason, the regulation requires the contracting officer to negotiate the estimated costs of services being furnished by the contractor. The audit agency also noted that negotiating contract costs in a timely manner is important because (1) once the estimated costs are negotiated with the contractor, the award fee pool is limited to costs that do not exceed those that were negotiated and (2) until the estimate is formalized, the contractor has no real incentive to control costs because increased project costs potentially mean a higher award fee.

According to the contractor, under the terms of the contract cost control constitutes 35 percent of the award fee and that factor alone is a clear incentive. The contractor also noted that the lack of a definitized estimate precludes the submission of invoices for base or award fee to the government. In the case of Bosnia, Brown and Root Services Corporation reported that it received no fee during the first 10 months of operation.

The revised statement of work for the Bosnian mission was not approved until March 7, 1996, and the contractor provided a revised estimate on May 24, 1996. By that point, the estimated cost to complete work requested by U.S. Army, Europe stood at \$477.4 million. Of this amount, about \$325.7 million, or 68 percent, had already been spent. The Corps of Engineers and the contractor reached agreement on an estimated cost for Bosnia on August 12, 1996.

¹⁰Logistics Civil Augmentation Program Contract, Operation Joint Endeavor; Audit Report AA 96-767, Sept. 19, 1996.

The Army Audit Agency also found that the Corps and the Defense Contract Management District, International did not implement a systematic method of inspections to monitor contract performance. As a result, they could not ensure that the contractor performed work in accordance with contract provisions, used the minimum number of resources to meet the Army's requirements, and furnished the appropriate level of support. The Army Contracting Support Agency similarly concluded that not enough people were deployed in the early stages of the operation to monitor contractor performance for the same reasons. Contract oversight was similarly criticized in Somalia and Haiti. For example, a December 1994 Army Audit Agency report on LOGCAP operations in Haiti criticized quality control.

Army Actions to Address Management Problems

On October 1, 1996, the Army transferred LOGCAP management responsibilities from the Corps to AMC. AMC officials have worked with U.S. Army, Europe to identify problems experienced in Bosnia and they intend to make several program changes to improve planning and management and reduce costs. Specifically, they are taking or plan actions, including changing the planning scenarios, developing doctrine and guidance on LOGCAP and senior level training and education, and providing assistance to operating commands when LOGCAP is implemented.

AMC awarded a new LOGCAP contract on January 30, 1997. The contract is for 1 year with the option of extending it for 4 more years, making the program available until 2002. One major change is that the contract pricing arrangement for the planning portion of the contract has been changed from cost-plus-award-fee to a firm-fixed price. According to the AMC program officer, this change was made because planning costs are easier to estimate than execution costs.

AMC officials also said that, to improve planning, the new contractor will be required to prepare worldwide and regional plans under two specific hypothetical scenarios: (1) an underdeveloped country with little or no infrastructure and a weak or nonexistent government and (2) a developed country with infrastructure and a viable and diplomatically recognized government. AMC expects that tailoring these plans will enhance execution and improve cost controls during an actual event by better defining LOGCAP requirements.

AMC has also undertaken several initiatives to address other LOGCAP problems experienced in Bosnia. To improve LOGCAP doctrine and training,

AMC directed the U.S. Army Combined Arms Support Command to review and revise Army regulations and field manuals so they properly reflect the program's goals. The command is revising about 20 Army regulations and field manuals, and it expects to complete this task early in fiscal year 1998. One revised field manual, which was released in September 1996, contains an entire appendix that discusses only LOGCAP. In addition, AMC has asked the Combined Arms Support Command, the Army Command and General Staff College, the Sergeants Major Academy, and the Warrant Officer Career Center to create LOGCAP training courses. The Army hopes to begin providing this training to its senior level staff by the end of fiscal year 1997.

To address the LOGCAP implementation problems experienced in Bosnia, AMC established logistics support teams to act as the single focal point with operational commands for LOGCAP planning and execution. The teams are to be located in the United States, Korea, and Germany and are to provide command staff advice on LOGCAP and its capabilities and help develop LOGCAP augmentation requirements when an operation is being planned. AMC expects that improving the planning process in this way will enhance cost controls by establishing more precise needs determinations, which will result in better planning and cost estimating to support these needs. In addition, AMC plans to establish and deploy a fully trained group of experts during the initial phases of an operation to provide technical and contractual support to commanders. The size and makeup of this team are flexible, however, and can include LOGCAP technical advisors; personnel, real estate, and communication/automation specialists; contracting and legal officers; pay agents; and planning and operations personnel.

Multiple Support Programs May Be Inefficient

The Navy and the Air Force recently created programs to preplan for contractor support, similar in many respects to the Army's program. According to Navy and Air Force officials, LOGCAP can meet each service's requirements, but they see contractor responsiveness and control as benefits of separate programs. However, the programs may result in unnecessary duplication and costs.

Types of Services Are Similar

Although the size and primary purpose of the three programs differ somewhat, the contracts will require similar engineering, logistics, and planning services. For example, under all three programs, the contractors will be required to provide construction services and supplies and, in the Army and the Air Force programs, contractors are asked to identify

potential civilian resources that can be relied on in contingencies. Before creating these programs, the Navy and the Air Force relied on LOGCAP for support during operations other than war such as in Somalia and Aviano, Italy.

Navy Program

The Navy's program is known as the Navy Emergency Construction Capabilities Program and is designed to support contingencies such as regional conflicts, humanitarian aid, and natural disasters. The Navy program consists of two geographic contracts—one covering the Atlantic and one covering the Pacific—that are identical in scope. Atlantic and Pacific contracts are managed by the Naval Facilities Engineering Commands in Norfolk, Virginia, and Pearl Harbor, Hawaii, respectively. The contracts were awarded in August 1995, for 1 year with 4 option years and provides for an annual fee of \$100,000. The Atlantic contract has been used several times for services such as providing natural disaster assistance at Camp Lejeune, North Carolina, following a hurricane and preparing engineering studies to rebuild Haiti's infrastructure. We were told that the total cost of initiatives taken under the Atlantic contract as of November 1996 was about \$32 million. The Pacific contract has not been used.

Air Force Program

The Air Force's program is known as the Air Force Contract Augmentation Program. The Air Force solicitation process began on September 13, 1996, and contract award is expected during February 1997. The contract will also be awarded for 1 year with 4 option years. The basic contract calls for a worldwide management plan, a program management team, and contractor participation in two validation exercises a year. According to program officials, their program differs from LOGCAP because Air Force engineering and support assets will be used to construct and maintain facilities during the initial stages of any contingency. The contractor will then be deployed to sustain this existing infrastructure. The contractor is, however, expected to have the capability to deploy and set up an infrastructure if requested. For planning services and exercise participation, the contractor could earn, under contract provisions, fees totaling \$4,439,168 over the full 5 years of the contract.

Other Programs Are Managed by a Lead Service

To avoid duplication of effort and improve economy and efficiency of programs that are used by all three services, the Defense Department has, on occasion, designated one service as the lead manager. For example, the

Army manages the wholesale stockpile of conventional ammunition for all the services. The Army is also the lead service for the Defense Department's program to dispose of the chemical weapon stockpile.

Recommendations

As mentioned, we discussed many of our observations on the changes that are needed to improve the efficiency and effectiveness of LOGCAP with AMC officials, and they have initiated or plan actions critical to improving the effective delivery of services using LOGCAP. As part of this effort to improve LOGCAP, we recommend that the Secretary of Defense direct the Secretary of the Army to include specific changes to LOGCAP that incorporate lessons learned from the Bosnian operation and other missions, including

- developing doctrine and guidance for implementing LOGCAP that identify the way to use the contractor effectively, the type of management structure to establish, financial control and oversight requirements, and mission planning considerations;
- providing training to commanders on using LOGCAP, including information on contractor capabilities and roles and responsibilities in planning and execution;
- providing assistance to commands when LOGCAP is implemented to include deployable management teams; and
- developing improved financial reporting and internal controls mechanisms that provide commanders with the assurance that LOGCAP services are necessary and reasonably priced.

We also recommend that the Secretary of Defense determine whether the Department's needs for civilian augmentation support during operations are met most effectively and efficiently through individual programs or some other means such as one service acting as a single manager for the others.

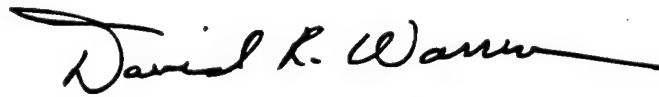
Agency Comments and Our Evaluation

We received written comments on a draft of this report from the Defense Department and they appear in their entirety in appendix III. The Defense Department concurred with the report and both recommendations, noting that it will continue initiatives to further improve the effectiveness and efficiency of LOGCAP. The Department also stated that they considered the actions in the recommendation to include specific changes to LOGCAP that incorporate lessons learned to be complete. While we recognize that various actions are planned or have been taken, all are not complete. For example, the revision of Army regulations and field manuals is not planned

to be completed until early in fiscal year 1998. Consequently, we will continue to follow up on the Department's actions in each of the areas.

We also received comments from Brown and Root Services Corporation. Brown and Root provided clarifying technical and editorial suggestions that have been incorporated into this report where appropriate. Brown and Root objected to the use of the term estimate on the basis that the dollar figure it provided to the Army in December 1995 was a rough order of magnitude. We revised the report to reflect Brown and Root's position and clarify why we used the term.

We are providing copies of this report to the Secretaries of Defense, the Army, the Navy, and the Air Force and the Commandant, U.S. Marine Corps. Copies will be made available to others on request. If you or your staff have any questions on this report, please call me on (202) 512-8412. The major contributors to this report are listed in appendix IV.

A handwritten signature in black ink, reading "David R. Warren". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David R. Warren, Director
Defense Management Issues

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Abbreviations

AMC	Army Materiel Command
LOGCAP	Logistics Civil Augmentation Program

Scope and Methodology

As agreed with your staffs, the scope of our work was limited to issues related to how well the Logistics Civil Augmentation Program (LOGCAP) worked once the decision was made to use the contract. It was also agreed that other issues such as the program's force structure implications and the cost-effectiveness of using contractors versus military personnel may be the subject of future reviews. To obtain information on how the Army has used LOGCAP in recent peacekeeping operations, we reviewed the Army's LOGCAP regulation and implementing guidance. We discussed how this regulation and guidance were applied with officials from the Army's Office of the Deputy Chief of Staff for Logistics, Office of the Deputy Chief of Staff for Operations and Plans, Corps of Engineers, Corps of Engineers' Transatlantic Program Center, and Office of the Chief of Army Reserves. Because Bosnia was by far the largest use of LOGCAP and provided a first-hand opportunity to observe the contract's implementation, our review focused primarily on that operation. However, we did generally review information related to the other operations where it was used. We also visited the U.S. Army, Europe, the U.S. European Command, and the U.S. forces deployed in Hungary, Croatia, and Bosnia to observe operations, talk with Army and contractor officials, and review records related to the implementation of the contract.

To determine the LOGCAP cost for Bosnia and the primary reasons for its growth, we obtained the Army's initial cost estimate, prepared by the contractor, from the LOGCAP program manager at the Corps of Engineers' Transatlantic Program Center. We discussed the assumptions that were used in developing the estimate with officials from the Corps of Engineers and the Brown and Root Services Corporation. We also analyzed the revised cost estimate submitted by the contractor in May 1996 and attempted to compare that cost estimate with the original. A direct comparison of the two estimates was not possible because of significant differences in (1) the scope of work covered by the estimates and (2) the way costs were reported. We discussed the results of this comparison with military leaders responsible for the operation in Hungary, Croatia, and Bosnia and with representatives from the Brown and Root Services Corporation and obtained their views on the factors that contributed to the cost increase. We did not attempt to determine whether the estimated costs were reasonable. Our information on the Defense Department's estimate of \$191.6 million was obtained from our prior work on the cost of the Bosnian peacekeeping mission.¹

¹Bosnia: Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate (GAO/NSIAD-96-120BR, Mar. 14, 1996).

To identify opportunities to improve LOGCAP, we interviewed officials from U.S. Army, Europe responsible for logistics planning for the Bosnian peacekeeping mission and visited U.S. Army, Europe base camps in Hungary, Croatia, and Bosnia. We interviewed resource managers, base camp mayors, members of the Joint Acquisition Boards, administrative contracting officers, quality assurance representatives, and contracting officer representatives from the Defense Contract Management District, International, who oversaw the contract. We also reviewed minutes of meetings at which LOGCAP was discussed and analyzed copies of weekly cost status reports submitted to U.S. Army, Europe. We discussed the adequacy of cost data with resource managers at U.S. Army, Europe and the way they used the contractor's cost reports to monitor costs. We did not independently test internal controls but relied on the work of other independent audit agencies, including the Defense Contract Audit Agency and the Army Audit Agency. We interviewed auditors from the Defense Contract Agency in Hungary and Croatia and at the contractor's home office in Houston, Texas, and discussed the scope of their work and the tests they conducted of contract controls. We interviewed Army Audit Agency auditors who tested the Army's contract controls at their home office in Wiesbaden, Germany, and reviewed all of their supporting documents. We also spoke with Army Audit Agency managers responsible for the review at their headquarters in Alexandria, Virginia. We also analyzed lessons learned from the use of LOGCAP in prior missions from the Defense Contract Management District, International, and the Army's Center for Army Lessons Learned.

To identify Army plans to award a new LOGCAP contract, we held discussions with the new LOGCAP office at the Army Materiel Command. We obtained information on the time frame for awarding the contract and discussed changes needed to overcome problems experienced in Bosnia.

Our information on the Air Force Contract Augmentation Program was obtained from Air Force officials in Washington, D.C., and its program office at Tyndall Air Force Base, Panama City, Florida. Information on the Navy Emergency Construction Capabilities Program was obtained from Navy contracting officials in Alexandria and Norfolk, Virginia, and Honolulu, Hawaii.

We conducted our review from April 1996 to December 1996 in accordance with generally accepted government auditing standards.

Operational Environment in Bosnia Presented Unique Challenges

Several factors created unique challenges for the Army as it implemented LOGCAP during the Bosnia mission. These factors related to the uncertainty of the U.S. role, the need for rapid deployment once the role was defined, and the harsh weather environment. The role that U.S. forces would play in Bosnia was uncertain until the Dayton Accords were signed on December 14, 1995. The Accords called for an implementation force to provide a secure environment for approximately 1 year to allow "breathing space" or a "cooling off period" after several years of conflict. The United States is a major force provider to the implementation force and occupies North American Treaty Organization military leadership positions that are responsible for the operation. The U.S. Army, Europe provided most of the force and is the major command responsible for the mission's logistics planning and funding. As of July 19, 1996, about 22,200 U.S. troops were deployed in support of the implementation force—about 16,200 to Bosnia, 1,400 to Croatia, and about 4,600 to Hungary and Italy.

The Accords required that U.S. forces deploy rapidly, and the implementation forces had until January 19, 1996, to be in place and begin enforcement. U.S. troops entered Hungary on December 12, 1995, to establish a staging base for the deployment and on December 16, 1995, they entered Croatia and Bosnia. The key military tasks in Bosnia have been to (1) mark and monitor a 4-kilometer wide zone of separation between the three warring factions, (2) patrol the zone of separation, and (3) oversee the withdrawal of forces and weapons away from the zone and back to their cantonment areas.

Deployment of the U.S. force occurred during one of the harshest winters on record in the Balkans. Weather conditions, for example, affected construction of a bridge over the Sava River to conduct the deployment operation. An unexpected winter thaw resulted in major flooding, and this bridge project became much larger than originally envisioned. The Army had to use construction material intended to build two spans over the Sava River to build the first span. Also, because of the holiday time of the year, the European rail system was heavily involved in holiday passenger and commercial traffic and rail employees were taking holiday vacations. European rail did not respond to the deployment, which it did not view as a wartime operation, with the sense of urgency it would have for a wartime operation. A rail strike in France further complicated ground transportation because many large railcars needed for the deployment could not be moved from France to Germany.

Each of these factors affected the manner and extent to which LOGCAP was used. For example, originally the contractor was to build, operate, and maintain a support base in Hungary, while military engineer units were to build the necessary base camps in Bosnia. Later, the contractor was to upgrade the military-built camps. Because of the operational requirements and the harsh winter weather, however, a decision was made to increase the number of camps and to immediately upgrade the camps. Military engineer units could not meet the full construction requirement, and the contractor was brought in to assist with camp construction. The contractor also provided building materials to the military engineer units because it was able to procure and deploy supplies faster than the military could.

Comments From the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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05 FEB 1997

(L/MDM)

Mr. David R. Warren
Director, Defense Management Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548


Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, GAO/NSIAD-97-72, "CONTINGENCY OPERATIONS: Opportunities to Improve Use of Contractor Support Services" (GAO Code 709193/OSD Case 1278). The DoD generally concurs with the report.

The DoD recognizes that improvements to the use of contractor support services are needed. The Department of the Army has already initiated actions to develop policies and procedures, improve the management of contracts, and provide assistance to commanders. The DoD supports these initiatives, and will continue to further improve the effectiveness and efficiency of this program.

The Department appreciates the opportunity to review and comment on the draft report.

Sincerely,


John F. Phillips
Deputy Under Secretary
of Defense (Logistics)

Enclosure



GAO DRAFT REPORT - DATED JANUARY 8, 1997
(GAO CODE 709193) OSD CASE 1278

"CONTINGENCY PLANS: OPPORTUNITIES TO IMPROVE USE
OF CONTRACTOR SUPPORT SERVICES"

DEPARTMENT OF DEFENSE COMMENTS

- **RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Secretary of the Army to include specific changes to the Logistics Civil Augmentation Program (LOGCAP) that incorporate lessons learned from the Bosnian operation and other missions including:
 - developing doctrine and guidance for implementing LOGCAP that identify how to use the contractor effectively, the type of management structure to establish, financial control and oversight requirements, and mission planning considerations;
 - providing training to commanders on using LOGCAP including information on contractor capabilities and roles and responsibilities in planning and execution;
 - providing assistance to commands when LOGCAP is implemented to include deployable management teams; and
 - developing improved financial reporting and internal controls mechanisms that provide commanders with the assurance that LOGCAP services are necessary and reasonable priced. (pp. 37-38/GAO Draft Report)

DOD RESPONSE TO THE DRAFT REPORT: Concur in principle. As indicated on page 8 of this draft report, the Department of the Army has already initiated action to develop doctrine and guidance, improve financial management and contract monitoring systems, and provide assistance to commanders when LOGCAP is implemented. The Department of Defense considers the intent of this recommendation to be completed.

ENCLOSURE

Appendix III
Comments From the Department of Defense

- **RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense determine whether the Department's needs for civilian augmentation support during operations are met most effectively and efficiently through individual programs or some other means such as one service acting as a single manager for the others. (p. 38/GAO Draft Report)

DOD RESPONSE TO THE DRAFT REPORT: Concur. The Department of Defense will begin a review of this GAO recommendation in 3rd Quarter FY97.

Now on p. 26.

Major Contributors to This Report

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